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# Markets and Classifications – Constructing Market Orders in the Digital Age. An Introduction

Karoline Krenn\*

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**Abstract:** »Märkte und Klassifikationen – die Konstruktion von Marktordnungen im digitalen Zeitalter. Eine Einführung.« In this special issue of *Historical Social Research* markets are considered as observable constellations of exchange and competition structured by classification and valuation procedures. Such a classification perspective on markets not only links the economy to culture by highlighting the role of a cognitive order for the engagement in economic action, but it also clarifies the moral character of markets. The introduction to this HSR Special Issue contextualizes this market perspective by first placing it in relation to disciplinary discontinuities in the sociological study of the economy, by outlining its new topicality arising from digital technologies, by discussing principal limitations or fallacies of classifications and measurements and, finally, by introducing the contributions of this special issue.

**Keywords:** Market classifications, market sociology, market order, categorization, measurement, digitalization.

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## 1. Taking a Market Perspective

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The content of the contributions in this HSR Special Issue revolves around the constitution of markets through various forms of sorting, categorizing and valuating of economic subjects and objects, procedures which I propose summarizing under the title *market classifications*.<sup>1</sup> To contribute to a sociological debate on markets, clarifying the market perspective seems like a good start. The point of departure for a sociology of markets is typically the neo-classic market model that looks at the market as an abstract locus of exchange isolated

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from society. In ideal markets, access is open to everyone, market participants compete for scarce goods without any restraints, and perfect information is directly translated into prices. Each of these and other assumptions is scrutinized by various traditions of sociological critique grounded on real market observations, whereby markets are conceptualized from a variety of angles. The discussion is too vast to cover here (for a broader discussion see Swedberg 1994; Fourcade 2007; Fourcade and Healy 2007; Beckert 2009; Aspers 2011). Therefore I will roughly outline a few perspectives without being able to adequately portray their efforts or claim completeness. The historic concept is that of a town marketplace or trade fair where goods are exchanged (Braudel 1982; Swedberg 2003). The earliest critical writings look at the market (economy) as a type of society (Polanyi 1944; Marx 1967 [1894]) that grounds human relations on competition and exploitation. A more functional perspective views the market as a social subsystem (Parsons 1951; Parsons and Smelser 1984 [1956]). Other literature sees in markets socially, culturally and structurally embedded patterns of economic action (Granovetter 1985; Zukin and DiMaggio 1990). This shifts the perspective to markets as complex interdependent social structures (Swedberg 1994). From a related angle, markets are regarded as a form of coordination (Williamson 1975; Powell 1990) or as a coordination principle (Boltanski and Thévenot 2006). Besides, from their different sub-disciplinary origins, these approaches also delimit markets differently. For the former, markets are distinguished from networks and hierarchies as different structures of social organization. For the latter, markets are seen as an order of worth (among others such as the domestic or industrial order of worth) upon which justifications for human engagements are built. Besides these differences, both of these lines of thought address the problem of order or uncertainty in markets. This focus on uncertainty is seen as the starting point of the New Economic Sociology (Beckert 1996).

The market perspective chosen in this special issue regards markets as observable constellations of exchange and competition structured by classification and valuation procedures. It draws on a value-orientated sociology of markets (Zelizer 1988; Fourcade and Healy 2007; Karpik 2010; Aspers 2011; Aspers and Beckert 2011; Beckert and Musselin 2013), the French approach of economics of conventions (Storper and Salais 1997; Favereau and Lazega 2002; Boltanski and Thévenot 2006; Diaz-Bone and Salais 2012) and historical as well as contemporary approaches in the sociology of science, measurement and valuation (Hacking 1990; Porter 1995; Desrosières 1998; Espeland and Stevens 1998; Lamont 2012; Diaz-Bone and Didier 2016).

In doing so, this HSR Special Issue addresses the question of order and uncertainty in markets by turning to classifications as fundamental practices in the involvement with the social world (Durkheim 1915; Durkheim and Mauss 1963; Lévi-Strauss 1966), as a way of ordering the world (Douglas 1966) and expressing hierarchies (Foucault 1979; Bourdieu 1984). Market differentiations

centrally concern the question of what markets are about (Aspers 2010). This is obvious if we turn to submarkets such as the labor market, producer markets, consumer markets, and financial markets. But also in each of these submarkets we find further categories such as professional categories in the labor market (Desrosières and Thévenot 1979) or regional classification systems for wine (Fourcade 2012) that sort, group, and rank subjects and goods. A key to this matter is to look at those dimensions that are meaningful to the actors involved. Differentiations along those dimensions provide an answer to the question of how market identities come about (White 2002; Aspers 2010). Hence classifications shape market patterns and give markets their special character by making them identifiable. They provide grounds for producer and consumer group identities. Market classifications also centrally address the question of what is valued, or in other words, how quality is constructed (Beckert and Musselin 2013). The assessment of qualities is a central coordination factor in markets (Callon, Méadel and Rabeharisoa 2002). This involves the construction of categories, their allocation of goods to these categories, and the establishment of quality differences (Beckert and Musselin 2013). So classifications are immanent to any situation where problems are to be solved or decisions are to be made on the basis of evaluations. Different valuations of market identities, as for example through third party recommendations (Zuckerman 1999), influence decision processes and individual choices in markets.

Studying market classifications and quality constructions in markets emphasizes the making and shaping of markets. Such an approach draws attention to the circumstance that categories and quality markers are socially shaped, that the significance of assessments on distinction and quality is determined by the reputation of the “judge”, and, finally, that categories and qualities are open to contestation. The contestation of valuations is traced back to different modes of justification. Rainer Diaz-Bone’s contribution to this special issue portrays how the economics of conventions argues for this. It could also be traced back to the variety of quality judgment devices (Karpik 2010; see also Chiapello and Godefroy 2017, in this HSR Special Issue), or also to the overall contingencies connected with evaluations. Struggles about classifications are not only struggles about the worth of goods in terms of price but also about worth in terms of value(s) (Beckert and Aspers 2011; Beckert and Musselin 2013).

A classification perspective on markets not only links economy to culture by highlighting the role of a cognitive order and understanding in the engagement in economic action (DiMaggio 1994), but it also clarifies the moral character of markets. The works of Viviane Zelizer, Marion Fourcade, and Kieran Healy have pushed a theoretical agenda to reveal the moral aspects of markets. A central claim of this literature is that moral judgments constitute markets, and conversely, markets establish moral orders. What makes markets moral affairs is not alone the fact that market outcomes might be morally beneficial or harmful. As it is argued, this wouldn’t reach beyond a *doux commerce* argument as

cultivated by economic theory. The economic order itself is regarded as “explicitly moral projects, saturated with normativity” (Fourcade and Healy 2007, 299 et seq.). We find this idea also in the economics of conventions (Boltanski and Thévenot 2006) that starts from the premise that a moral order is the overall baseline for social coordination. Empirically, this moral view on markets is influenced by the investigation into “concerned markets” where exchange provokes moral opposition such as with regard to markets for children (Zelizer 1985), intimacy (Zelizer 2005), organ donations (Healy 2006) or the pricing of environmental disasters (Fourcade 2011). This literature also focuses on the relational aspect of valuing, in other words, the varying social meanings economic activities (such as for example giving money) may have (Zelizer 1989). The study of markets as moral projects thereby takes on three problem foci (Fourcade and Healy 2007):

- a) the creation of moral boundaries which position persons, products and society in markets and also determine market boundaries,
- b) social technologies deployed in the constitution of the market, and
- c) explicit moralizing with regard to the rules of economic exchange and (re-)distribution.

All three are relevant for inquiries into market classifications.

The introduction and the contributions to this Special Issue of *Historical Social Research* draw on various facets of market classifications. The next sections further contextualize this market perspective by first placing it in relation to disciplinary discontinuities in the sociological study of the economy, by outlining its new topicality, by discussing fallacies of classifications and by introducing the contributions of this special issue.

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## 2. A Historical Placement: Parson's Pact and the Dark Ages for a Value-Oriented Study of Markets

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A moral view on the economy was already a genuine element in the early writings of the founding authors of sociology. Investigations into the economy were entrenched within society. Questions about the constitution of markets were a central part of the discussion of civil society: as seen for example in the fact that the sociological debate on markets dealt with the stratification of society and the unequal distribution of resources, and that economic conflicts were looked upon as driving forces of social change (Marx), or that modernization and differentiation were examined in relation not just to the production process

but to the organization of society as such (Durkheim, Weber), or the way that money as exchange medium altered social relations (Simmel).<sup>2</sup>

However during 20th century sociology, the sociological engagement with markets had topical discontinuities. Mid-century sociology marked a turning point with what Stark (2009) calls Parsons' Pact. Talcott Parsons proposed a demarcation of the sociological discipline from economics in the 1930s and the 1940s, which was widely recognized and followed. In various influential articles (Parsons 1934, 1935) he argued for a non-economic imagination of society (Velthuis 1999; Fourcade 2007). He approved of the attempt of Robbins (1932) to define the field for economy, and he sought to do the same for sociology. Sociology ought to deal with values, and accordingly with institutions (Parsons 1935), economy with means and ends. The division of labor between economy and sociology is formulated by Stark as follows: "You, economists, study value; we, the sociologists, will study values. You will have claim on the economy; we will stake our claim on the social relations in which economies are embedded" (Stark 2009, 7). Although in the early writings this was intended as disciplinary complementing, it eventually led to a void in the study of economic institutions altogether (Swedberg 1987; Velthuis 1999). The discursive shift away from economics was even intensified in the 1940s with the work on *The Social System* (Parsons 1951; Brick 2000). By then, it likewise accommodated the spirit of the postwar age and inhibited social criticism and debate on capitalism. Influenced by Freudian ideas, Parsons regards the latter as an "'ideological distortion' of public discourse" (Brick 2000, 506). So it was only consistent that his Department of Social Relations for a New Social Science at Harvard, founded in 1946, lead the way in incubating a new conception of social study with a clear focus on community and culture. It also significantly influenced the re-import of the discipline to the European continent.

Conceivably related to the economic crisis of the 1970s and the break-off of the peace settlement between labor and capital (Streeck 2014), upcoming debates in the late 1970s and 1980s called the sociological disengagement with the economic field into question. The new economic sociology, mainly identified with the work of American scholars like Mark Granovetter (1985) and Richard Swedberg (1987), shifted the sociological focus back to the economy. This led to a new spread of market studies with a focus on embeddedness and social pre-requisites of economic action (culture, institutions, and networks) (Swedberg 2005). However, critics remark that in ongoing alignment with Parsons' Pact the lion's share of this work seemingly still had lost interest in societal issues (Fourcade 2007). In the US the intellectual barriers for sociology were transgressed mostly due to authors such as White (1981, 2002) and Zelizer

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<sup>2</sup> This type of analysis continued in political market studies such as in the work of Karl Polanyi, first and foremost in *The Great Transformation* (1944), which elaborated the dehumanizing effect of industrial capitalism.

(1988, 2011) who claimed that markets are not only embedded in the social but basically constituted by it. Since this return to an integrated perspective on economy, markets and society, as employed by the classic authors, socio-theoretical debates on economic affairs have reached a new abundance. Particularly literature that underlines the strong nexus between economic worth, social value and moral values has gained new prominence in economic sociology (Boltanski and Thévenot 2006; Beckert and Aspers 2011; Zelizer 2011; Beckert and Musselin 2013; Fourcade, Steiner, Streeck and Woll 2013; Orléan 2014; Antal, Hutter and Stark 2015; Fourcade 2016; and others).

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### 3. The New Topicality of a Classification Perspective

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Market classifications presently have a new topicality. The reasons are new technologies for digital data processing and related to that, new patterns of organizing markets that construct novel moral boundaries. In their award-winning article (Fourcade and Healy 2013, reprinted in this issue: Fourcade and Healy 2017a), Fourcade and Healy argue that neoliberal era market institutions increasingly use new techniques to sort individuals in what they call "classification situations". Their example is scoring technologies that classify people according to credit risk. The point is that these newly generated distinctions result in a cumulative pattern of advantage and disadvantage that shape life-chances (also Rona-Tas 2017, in this issue). Consequently, these market operations act as a leveling force and as a condenser of new forms of social differentiation and the formation of social hierarchies. In close reference to the notion of "classification situations" this Special Issue takes up this discussion of the emergence and pervasiveness of a valuation regime that conditions the access to the economy.

A distinct significance is given to digital surveillance (also Seignani 2017, in this HSR Special Issue). Digital data is as close as never before to where social life happens (Wagner-Pacifici, Mohr and Breiger 2015). Digital footprints leave information about transactions, geo-locations, social media behavior, administrative data and institutional records, or registrations on websites or apps, along with the cross-referencing between all those activities and more. The point is that the emergence and expansion of methods of tracking and scoring these data and metadata of consumer behavior directly affects stratification. Based on the tracking of past individual behavior, the pooling of this data, and the creation of addressable consumer profiles, companies predict future outcomes and risks. As a consequence, hidden screenings and personalized offers condition the access to economic and other resources, from health care and credit to employment and insurance. In her conference keynote ad-

dress “Seeing Like a Market” (Fourcade and Healy forthcoming) to the conference “Classification Situations in Markets”,<sup>3</sup> held in Berlin in June 2015, Fourcade suggests a novel terminology to describe this form (or state) of capital, *Ubercapital*. The concept tries to capture the proliferation of algorithmic classifications in various settings of social life and their use in contexts for which they were not originally intended (Akos Rona-Tas 2017, in his contribution to this Special Issue also speaks of off-label use). One aspect hereby is the individual attribution (replacing nominal boundaries of exclusion) in the justification of these discriminations, which defines the specific moralizing character of these market classifications (Poon 2009; Fourcade 2016; Juergenmeyer and Krenn 2016 for a more detailed discussion of the conference). Digital status reports of being “out of normal position” compared to a normal state are put to immediate use. Often regardless of context or relevance, the conformity of personal choices is classified and sanctioned.

Generally, the recurring primacy of stratifying differentiation can be observed throughout society (Fourcade 2016). But the development described above also indicates a historical transformation of techniques of governmentality (Fourcade 2007; Fourcade and Healy 2013). A fundamental critique of these data-based stratification dynamics objects to their opacity, regarded as an example of the politics of (in)visibility prevailing in the “Black Box Society” (Pasquale 2015). Fourcade and Healy stress this point in their concluding comment to this HSR Special Issue (Fourcade and Healy 2017b).

Sociological concerns about the social implications of these developments are even more fundamental and are closely connected to the principal limitations of classifications and measurements.

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#### 4. The Fallacies of Classification and Measurement

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In its sociological origins, the concept of classification refers to a cognitive system of social representation (Durkheim 1915; Durkheim and Mauss 1963). For an extensive discussion on the classification concept and its varying meanings in different literatures see also Krüger and Reinhart (2017, in this issue). Classification provides an informational infrastructure (Bowker and Star 2000). Once it is established, its categories accepted and boundary drawings institutionalized, its ordering capacity starts running (Douglas 1966; Beckert and Musselin 2013). However, there is a second side to this. The common-sense character of classifications (Berger and Luckmann 1966; Schütz 1972) obscures the immanent fallacies of these procedures, which has been the subject a

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<sup>3</sup> In appreciation of funding by the Fritz Thyssen Foundation.



variety of literature on classifications and raises a fundamental problem in the sociology of knowledge.

### The (Natural) Boundary Fallacy

Classifications operate under the assumption that boundaries between categories are clear-cut and discrete (Bowker and Star 2000). The contingencies with regard to the choice of boundary criteria often stay out of consideration (Lamont and Molnar 2002; Pachucki, Pendergrass and Lamont 2007). In many cases, the distinctive character of boundaries seems only valid for paradigmatic examples. As Boltanski and Thévenot (1983) showed in an early experimental study on job classifications in France (*cadres*) the initial act of category-building is less clear-cut than it appears (see also Diaz-Bone in this special issue). In many cases different placements are possible. In contrast, the naming (or labeling) of a category carries commonly held social images and attributions that lead to a certain positioning in social space. Important insights on cognitive processes active in the formation of categories come from Zerubavel (1991, 1996) who demonstrates that carving discrete categories out of experiential continua goes along with the blurring of heterogeneity as well as the enforcement of differences. The ambiguity and blurring in the initial work of boundary-building and categorization are addressed by the contributions of Chiapello and Godefroy (2017), the problem of the translation of continuous differences in categorical distinctions by the contribution of Rona-Tas (2017), and the messiness of the employment of categories by Pridmore and Hämäläinen (2017) in this HSR Special Issue.

An interrelated issue is the naturalization of categories. Categories give the appearance of a simple observation of prior natural differences that only have to be identified. However, instead of being accurate identifications, categorizations are social procedures that initially create those groups they aim at identifying. A telling example of this is the history of the IQ test (Carson 2007). This naturalization of categories falsely renders its own construction invisible. However, categorization is nothing natural, it is a social convention (Zerubavel 1996).

In this context, the literature emphasizes the power dimension of classifications. Classifications are instruments of distinction that reflect power differences (Bourdieu 1984). Moreover, the sorting into hierarchical categories makes actors governable and facilitates domination (Foucault 1979). The naturalization of social categories is hereby strongly connected to the approval and legitimation of an unequal distribution of scarce resources and power (Tilly 1998; Lamont and Molnar 2002; Tilly 2005; see also Schiller-Merkens 2017, in this HSR Special Issue).

## The Measurement Fallacy

A second assumption is that categories are just the result of neutral measurement procedures. The imagination of a rational calculation of human action, reasoning with regularities and probabilities, is nothing new. Thinking of measures and statistical patterns as explanatory per se became widely popular already in the 19th century (Hacking 1975, 1990; Duncan 1984). It is strongly connected to intellectuals such as Broussais, Condorcet, Quetelet and Comte who advanced the project of empirical moral science, which likewise gave birth to *sociology*. Based on an “avalanche of printed numbers” (Hacking 1990) distributions and regularities of attributes and behaviors were measured. The advent of official state statistics, bureaucracies gathering data on the population, gave rise to a rational theory of individuals and society (Porter 1995; Desrosières 1998). An important facet pointed out by Desrosières is the co-construction in unison of the idea of the state and the quality of statistics, and its change over time (Desrosières 2011). As Weber would argue later, the idea of rationalization and calculation was significant for the 19th century. It characterized the modern rule. Even then it was not only an intellectual tradition but was accompanied by interventions in the social organization of lives. Famous examples are Weber’s own study of bureaucracy (Weber 1972 [1921/22]) and Taylor’s principles for a scientific management of the workplace (Taylor 1911). Measuring techniques and quantifications in general were celebrated as a major scientific achievement (Porter 1995). In historical reflection the idea of statistical laws of society seemed very modern and appeared to overcome indeterminism. Statistics operated on the imagination of objective knowledge and fueled a doctrine of necessity (Hacking 1990). The legitimation of sorting by statistical properties was unquestioned. At its heart was the idea of a normal social state, in a descriptive as well as an evaluative sense. However, as is shown by critical science studies, measurement operations use “technologies of persuasion.” They disguise their interventional character and appear as “a way of making decisions without seeming to decide” (Porter 1995, 8). To put it in a nutshell, quantifying operations are a case of “investment in form” rather than accurate measurement (Thévenot 1984, 2009). With regard to markets, Science and Technologies Studies have also shown that technologies are not neutral measuring instruments, but rather conversely, that the employment of calculative devices performs the economy (Callon 1998; MacKenzie 2006).

Debates on the assumptions underlying quantifications meanwhile cover a comprehensive transdisciplinary field (Diaz-Bone and Didier 2016). Relevant for our context is the fact that quantifications not only support the idea of a neutral valuation regime but also warrant standardization and commensuration (Espeland and Stevens 1998). It is on this understanding that, although this erases certain quality differences, it also conveys hierarchies and quality assessments (with regard to conformity and deviance).

Social life, and consequently also markets, rests on the ability to distinguish, compare and commensurate. However, the fallacies just mentioned mean that classifications merit suspicion, and, particularly with a view on their social implications regarding stratification, (in)equality, and privacy, are a matter for critical sociological inquiry. The underlying assumptions of classifications make them appear categorically neutral or “fair”, although their real drivers are often of a different nature such as profitability (Krenn 2017, in this HSR Special Issue). Studying (market) classifications is even more important, as there is no opting-out of being classified. Providing no data means defying classification, and “defying classification invites penalties” (Zuckerman 1999, 1399). This unavoidability is present in existential social activities.

A key issue is that market classifications produce a representation of the economic world that seems to be becoming globally more and more powerful, particularly with regard to the chief tendencies in contemporary capitalism such as economization (Çalışkan and Callon 2009), marketization (Djelic 2006) and financialization (Krippner 2005; Chiapello 2015). The articles in this special issue help to break down the shaping of markets by classifications and the blocking of market access and to reveal the contingencies and indeterminacies of category-building.

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## 5. Contributions in this HSR Special Issue

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This HSR Special Issue “Market Classification” presents a collection of contributions from scholars from different fields in sociology and marketing studies who examine market classifications across a range of economic settings. The first group of contributions takes up the argument by Marion Fourcade and Kieran Healy (2013; reprinted in this issue) that economic classifications have stratifying effects, and discusses the classification of consumers under the aspects of discrimination, (in)equality and exploitation. A second group of contributions analyses classification practices in the newly emerging market niches of finance, fashion and high-end beverages. Empirically, a multiplicity of national and transnational markets are targeted beginning with the US consumer market (Rona-Tas), Dutch marketing companies (Pridmore and Hämäläinen), German financial services (Krenn), French impact investment (Chiapello and Godefroy), the British fashion industry (Schiller-Merkens), the transnational market for high-end beverages (Diaz-Bone) and the global sustainability accounting and reporting field (Nagel, Hiss, Woschnack, and Teufel). Finally, the third group of contributions has a pronounced theoretical focus (Diaz-Bone, Krüger and Reinhart, Fourcade and Healy).

The article by *Akos Rona-Tas* (San Diego) exhibits the operation of data brokers and “off-label use” of credit classification of consumers in the US in insurance, house rental and job hiring activities and the resulting harmful effects

and cumulative disadvantages. He particularly criticizes the strong assumptions underlying these practices. *Sebastian Seignani* (Jena) builds on the class-theoretical part of Fourcade's and Healy's argument. By connecting critical surveillance studies with class theory he conceptualizes the usage and monetization of digital data as an exploitation relation characterizing informational capitalism. *Jason Pridmore* and *Lalu Hämäläinen* (Rotterdam) point to the limitations of digital segmentation practices applied in Dutch social media marketing and social customer relationship management. They juxtapose marketing discourse rhetorics with marketing practices and expose their divides. The article by *Karoline Krenn* (Lucerne) relates dominant advice concepts in German financial services to client segmentation practices and thereby emphasizes the role of classifications in the context of market intermediation. Next follow two contributions that deal with the financial market classification system. By looking at the case of French impact investment *Eve Chiapello* and *Gaëtan Godefroy* (Paris) illustrate the dual function of judgement devices, first, for the initial work of market-building, and second, for the ranking of things traded in the same market segment. *Sebastian Nagel*, *Stefanie Hiss*, *Daniela Woschnack* and *Bernd Teufel* (Jena) offer a review of the adaption of financial classification technologies to measure sustainability performance and examine the heterogeneous data handling between sustainability reporting and sustainability accounting activities. *Simone Schiller-Merkens* (Cologne) analyzes the complex dynamics of self-categorizations in the British ethical fashion industry and highlights its dependence on a powerful audience. *Rainer Diaz-Bone* (Lucerne) portrays the French approach of the economics of convention (EC). His contribution applies the EC to the analysis of classificatory procedures in the high-end market for wine and coffee. *Anne Krüger* and *Martin Reinhart* (Berlin) bring together literature from different fields of sociological analysis such as classic work by Durkheim, Simmel, and Dewey, sociology of science and Science and Technology Studies and elaborate an integrated conceptual framework for the study of valuation which also allows us to answer questions about the sociology of markets.

In their concluding comment, *Marion Fourcade* (Berkeley) and *Kieran Healy* (Durham) recapitulate the main features of new classification situations that describe modern institutions. New classifiers potentiate the already powerful mechanism of traditional classifications. Specifically, the authors emphasize the matter of opacity of these procedures as forefront problem.

By attending to the emergence, formation, and contestation of categories and their social implications, all articles in this HSR Special Issue contribute to a sociological perspective on the economy, demonstrating the social character of underlying processes in market classifications or classification-based market operations.

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